

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review

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SUBCOMMITTEE No. 1

EDUCATION

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K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Provided \$50 billion in Proposition 98 funds for *K-14* education in 2005-06, which represents an increase of \$3 billion above the 2004-05 budget. According to the administration's estimates, this level of funding is estimated to be \$740.9 million above the minimum Proposition 98 funding guarantee for K-14 education.
- Provided \$44.6 billion in Proposition 98 funding for K-12 schools in 2005-06, which is the same level of funding as proposed by the Governor in the May Revision.
- Provided \$1.9 billion in revenue limit and categorical program enrollment growth and COLA adjustments in 2005-06. This reflects a 0.69 percent Average Daily Attendance (ADA) growth rate and a 4.23 percent COLA.
- Provided \$406 million in funding to reduce the revenue limit deficit factor for school districts and county offices of education. The Legislature provided an additional \$78 million for deficit factor reduction above the \$328 million proposed by the Governor. The deficit factor originated with revenue limit reductions in the 2002-03 budget. By reducing the deficit factor, revenue limit funds increase and move closer to what they would have been without the 2002-03 reductions. **Deficit factor funding provides ongoing, discretionary funding for schools.**
- Maintained \$100 million in funding for mental health related services proposed by the Governor. This continues \$69 million for AB 3632 services provided by county mental health agencies and \$31 million for pre-referral services for children and youth with exceptional needs. The Governor's proposal to permanently shift the AB 3632 mandate back to schools was rejected.
- Rejected the Governor's proposal to eliminate state general fund support -- estimated at \$469 million in 2005-06 -- for the State Teachers Retirement System (CalSTRS) Defined Benefit Program. By eliminating state support, the administration proposed shifting financial responsibility for a large portion of teachers' retirement to school districts and teachers.
- Reduced one-time Proposition 98 settle-up funding by \$235 million --from \$241.8 million to \$6.8 million -- consistent with an administrative proposal. This reduction does not affect the calculation of the minimum guarantee because these are one-time funds deemed to satisfy prior year obligations.
- Reappropriated additional one-time funds from the Proposition 98 Reversion Account for the following K-12 education purposes: (1) \$83.5 million -- beyond the \$100 million proposed by the Governor -- for emergency facility repairs for schools in the lowest three deciles of the Academic Performance Index (API) pursuant to the 2004 *Williams* settlement agreement; (2) \$53.8 million for payment of prior-year mandate claims; (3) up to \$49.5 million in incentive funding to improve the education culture and environment of schools in the lowest three deciles

of the API; and (4) \$18.2 million for providing fruits and vegetables to schools pursuant to legislation enacted during the 2005-06 Regular Session.

- Appropriated a total of \$60.6 million in Proposition 98 funds to pay for prior-year mandate claims owed to K-12 education. This amount includes \$53.8 million in Proposition 98 reversion funds and \$6.8 million in Proposition 98 settle-up funds, as referenced above.
- Adopted the Governor's Budget proposal to defer payment of all ongoing education mandate payments in 2005-06 for a savings of approximately \$300 million.
- Maintained the same level of funding for special education services as proposed by the Governor, but reallocates funds as follows:
 - Passes through \$58.3 million in additional federal special education funds to Special Education Local Planning Areas (SELPA) on a per ADA basis as discretionary funds to be used for any special education purpose.
 - Provides General Fund growth and COLA on the state special education program only -- not on the federal program base -- for a savings of \$48.3 million. These and other savings totaling \$52.6 million are redirected to SELPA on a per ADA basis for any one-time special education purposes, including assistance to students with disabilities to pass the High School Exit Exam and instructional materials.
 - Provides an additional \$18.2 million in new program funding for the out-of-home care formula for students with disabilities needs who reside in licensed children's institutions and other out-of-home placements. This action increases the base program by \$15 million to move the formula closer to full funding and provides \$3.2 million to cover group homes inadvertently left out of the formula.
 - Reappropriates approximately \$26 million in one-time special education savings as per ADA grants to SELPA for special education discretionary purposes and includes \$3.2 million to cover the costs of adding group home beds to the out-of-home care formula in the current year.
 - Increases federal funding for Family Empowerment Centers by \$420,000 to fund additional centers serving students with disabilities and their families in new regions of the state.
- Provided \$60 million to fund a new cohort of low-performing schools eligible for the High Priority Schools program, pursuant to the *Williams* lawsuit settlement.
- Sets-aside \$74.5 million in federal carryover funds for low performing schools and districts identified as needing "program improvement" under the No Child Left Behind Act. The Legislature appropriated these funds as carryover funds for the following programs: \$13.2 million for Title V-Comprehensive School Reform; \$19.2 million for Title I-Migrant Education; \$24.3 million for Title I-Basic Grants; \$18.6 million for Title I-School Improvement. The Governor eliminated carryover funds for these individual programs through his vetoes and set aside the sum of these one-time funds for low-performing schools and districts, to be determined through legislation.

- Increased funding for the Pupil Retention Block Grant by \$20 million to assist students with passing the California High School Exit Exam in 2006. Funding will be allocated to schools with the highest percentage of students who have failed the exam and may be used for purposes of the block grant or for providing intensive instruction and services including hiring additional teachers, individualizing instruction, teacher training, individual or small group in instruction.
- Eliminated \$21 million in new funding that the Administration proposed for the K-12 High Speed Network and instead authorizes funding at the same level from unused funds previously appropriated for Internet connectivity and network infrastructure for grades K-12 schools and county offices of education. Prior to expenditure of these funds, the Joint Legislative Audit Committee (JLAC) shall conduct an audit of the K-12 network.
- Sets-aside \$20 million from the Instructional Materials Block Grant to provide ongoing funding for supplemental materials for English learners. Funding can be used to purchase English language development materials or to supplement core instructional materials used by districts. Budget control section language ties the level of funding provided for this program to the level of funding provided for the community colleges career-technical education program. The Governor vetoed these funds and set-aside the \$20 million for other Proposition 98 purposes pursuant to legislation. The Governor also vetoed the associated budget control section.
- Provided approximately \$115 million in federal Reading First dollars to fund a fourth year for school districts in the first cohort of the program. An additional \$6.5 million in carryover funding is provided for new grants to unfunded districts. Budget bill language requires legislative approval for a fifth year of funding and specifies the creation of an advisory committee to assist the Department of Education in supporting classrooms that provide bilingual education.
- Approved \$68 million for the Charter School Categorical Block grant, as proposed by the Governor, and specifies that changes to the formula be made pursuant to legislation that specifies the categorical programs that are in and out of the block grant.
- Adopted the May Revision to restore \$9 million in one-time funds for the Charter Schools Facilities Grant program for charter schools serving low-income students or located in low-income areas. The Governor's proposed budget would have eliminated funding for the program.
- Restored funding for two small categorical programs the Governor proposed to reduce or eliminate: the Early Mental Health Initiative (\$5.0 million) and the Healthy Start program (\$2 million). The Governor vetoed funding for Healthy Start, but set-aside funding for legislation to continue a program that ensures no out-year costs.
- Approved \$1.0 million to provide training for school district financial officers, as proposed by the Governor. Funding will be allocated pursuant to legislation.
- Provided \$500,000 in federal funds for a study of the Economic Impact Aid formula that provides funding to school districts for meeting the needs of economically disadvantaged students and English learners. The Legislative Analyst's Office will contract for the study that is intended to strengthen the formula so that it provides more equitable, predictable and reliable funding to school districts. The Governor vetoed funding for this study.

- Approved \$450,000 in one-time federal funds for the Department of Education to contract for the translation of required school related documents for non-English speaking parents and families. Translated documents will be added to a statewide clearinghouse so that they can be shared by other school districts.
- Adopted the May Revision proposal to restore \$840,000 for the Advancement Via Individual Determination (AVID) program, which the Governor originally proposed to reduce.
- Continued to defer payments of approximately \$1.3 billion in Proposition 98 apportionment programs from one fiscal year to the next. This practice commenced with the 2002-03 budget as a method of meeting the state's budget shortfall without reducing schools programs and services.
- Authorized the Department of Education to enter into a contract with a state agency, as well as a single, non-profit entity, in providing special education due process and mediation services. Budget trailer bill requires the Superintendent of Public Instruction to develop standards and regulations for contractors in providing due process services.

Trailer Bills:

1. ***SB 63 (Committee on Budget and Fiscal Review).*** *Makes numerous statutory changes needed to implement provisions of the 2005-06 budget, including provisions that: appropriate Proposition 98 settle-up funds; reduce revenue limit deficit factors to reflect increases in revenue limit appropriations; authorize a second cohort of the High Priority Schools Grant program; revise growth and COLA calculations for special education to limit application to the General Fund program only; and authorize the Department of Education to contract with a state agency, as well as a non-profit entity to provide special education due process hearing and mediation services, and require the Superintendent of Public Instruction to develop standards and regulations for contractors in providing these services. Chapter 73; Statutes of 2005.*
2. ***SB 80 (Committee on Budget and Fiscal Review).*** *Amends numerous items in SB 77 the Budget Act of 2005 including several that relate to K-12 education. Reappropriates additional one-time funds from the Proposition 98 Reversion Account for the following K-12 education purposes: (1) \$83.5 million for emergency school facility repairs for low-performing schools; (2) \$53.8 million for payment of prior year mandate claims; (3) up to \$49.5 million in incentive funding to improve low-performing schools; (4) \$18.2 million for providing fruits and vegetables to schools pursuant to legislation. Chapter 39; Statutes of 2005.*

CHILD DEVELOPMENT

6110 CALIFORNIA DEPARTMENT OF EDUCATION – CHILD DEVELOPMENT

- Reversed most of the Governor's child care reform proposals and restored the programs to their current levels (adjusted for caseload) using a combination of General Fund (Proposition 98) and Temporary Aid to Needy Families (TANF) funds (totaling \$162.8 million), as follows:
 - Rejected Governor's proposal to reduce number of child care slots due to the shift of 11- and 12-year-old children from subsidized child care to after school programs.
 - Denied administration's proposal to index eligibility based on the Federal Poverty Level (as opposed to current use of State Median Income).
 - Rejected Governor's proposal to implement a tiered reimbursement rate schedule for licensed and licensed-exempt child care providers. Adopted supplemental report language signaling the intent of the Legislature to work with the Administration in the future on the issue of provider rate reform.
 - Rejected Governor's proposal to limit the length of time former CalWORKs recipients can receive subsidized child care services under Stage 3.
 - Suspended – for another year – regulations which would have altered the way that providers serving only subsidized children are reimbursed.
 - Approved Governor's proposal to implement centralized eligibility (waiting) lists (CELs) on a county-by-county basis.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Denied Governor's proposal to reduce funding for the Public Library Foundation by \$2.2 million. This action brings the total appropriation level for 2005-06 to \$14.4 million which is the same amount provided in 2004-05.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

Approved operational funding for CPEC, as budgeted.

6440 UNIVERSITY OF CALIFORNIA

- Approved the Governor's higher education budget augmentation proposals, including:
 - \$37.9 million to grow student enrollments by 2.5 percent;
 - \$76.1 million to increase a 3 percent cost-of-living-adjustment (COLA);
 - \$300,000 to grow Medical School student enrollments by 20 full-time students (for the PRIME-LC program at UC Irvine);
 - Increases fees for undergraduate students at UC by 8 percent, pursuant to actions taken by the UC Board of Regents. Fees for graduate students will increase by 10 percent and professional school students will see fees rise 3 percent.
- Restored \$17.3 million GF to support student academic preparation programs at the UC. State funds will be matched with \$12 million of university funds. Governor's proposal called for all state funding to be eliminated from these programs. In signing the 2005 Budget Act, the Governor stipulated that while he is sustaining the \$17.3 million, funding is only available on a one-time basis, until such time as the University evaluates its academic preparation programs to determine their cost-effectiveness and eliminate those programs that do not provide an adequate return on the state's investment.
- Approved the Governor's Math and Science Teaching initiative which provides UC with \$750,000 to enhance efforts to recruit math and science majors into the teaching profession.
- Restored funding for research related to Labor Studies at the UC and provided an augmentation of \$3.8 million GF for this purpose. In signing the 2005 Budget Act, the Governor vetoed the \$3.8 million related to Labor research.
- Provided a total of \$24 million for first-year operational costs at UC Merced.

- Adopted supplemental report language calling for the Legislative Analyst, Department of Finance, UC, and California State University to examine the marginal cost of instruction methodology and make recommendations for possible changes and improvements to the process by which the state funds student enrollments.
- Approved all Capital Outlay projects as proposed by the Administration.

6610 CALIFORNIA STATE UNIVERSITY

- Approved the Governor's higher education budget augmentation proposals, including:
 - \$50.8 million to grow student enrollments by 2.5 percent;
 - \$71.6 million to provide a 3 percent cost-of-living-adjustment (COLA);
 - Increases fees for undergraduate students at CSU by 8 percent, pursuant to actions taken by the CSU Board of Trustees.
 - Also consistent with actions taken by the CSU Trustees, increases fees by 10 percent for academic graduate students and 3 percent for professional school students.
- Restored \$7 million GF to backfill the "unallocated" reduction proposed in the Governor's Budget. In signing the 2005 Budget Act, the Governor stipulated that he is sustaining the \$7 million on a one-time basis, until such time as the CSU evaluates academic preparation and student services programs to determine their cost-effectiveness and eliminates those programs that do not provide an adequate return on the state's investment.
- Approved the Governor's Math and Science Teaching initiative which provides CSU with \$250,000 to enhance efforts to recruit math and science majors into the teaching profession.
- Reverted \$15.5 million in unspent current-year funds for enrollment growth.
- Provided an additional \$309,000 in support for the Center for California Studies and Capitol Fellow programs. This augmentation was vetoed down by \$227,000, resulting in a minimal \$82,000 augmentation for the program.
- Provided \$4 million to increase student enrollment in CSU nursing programs at the Masters Degree level. Of this amount, the Governor vetoed \$3.44 million, leaving an additional \$560,000 to increase enrollments in the Entry-Level Master's Programs.
- Adopted Supplemental Reporting Language calling for the Legislative Analyst, Department of Finance, UC, and California State University to examine the marginal cost of instruction methodology and make recommendations for possible changes and improvements to the process by which the state funds student enrollments.
- Approved all Capital Outlay projects as proposed by the Administration, including \$26 million of General Obligation Bond funding for capital renewal projects (such as HVAC systems) to extend the useful life of CSU buildings.

6600 HASTINGS COLLEGE OF LAW

- Approved funding for Hastings, as proposed by Governor.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved \$141.9 million to support 3 percent enrollment growth.
- Provided funding in excess of \$210 million to support a 4.23 percent cost-of-living adjustment.
- Approved the Governor's Career-Technical Education proposal which would provide \$20 million in one-time funding to better align K-12 and community colleges career and vocational curriculum. Funding was "linked" (via a Budget Act Control Section) to the amount appropriated for instructional materials for K-12 English Language Learners. In signing the Budget Act, the Governor deleted the \$20 million in funding for career-technical education in the Budget Bill and instead set those funds aside (\$20 million which is being combined with \$17.4 million in other vetoed funds) for pending legislation, thus requesting that the appropriation be contained in the accompanying policy bill rather than the Budget Act.
- Approved \$10 million in ongoing Proposition 98 dollars to support an increase in nursing education and training at the community colleges.
- Provided \$30 million for equalization; funds are to be distributed pursuant to current law.
- Augmented the Governor's Budget by \$33 million (one-time Proposition 98 dollars) to backfill lost property tax revenues to Community Colleges in the current year; budget bill language further specifies that any funds not expended for this purpose are to be allocated for equalization. Believing that colleges would not need the full \$33 million augmentation, the Governor vetoed \$17.4 million from the appropriation (to be redirected to the Career-Technical Initiative), leaving \$15.6 million to backfill current year property tax revenues.
- Provides \$10 million (one-time) to pay prior-year state mandated local program costs.
- Restores \$31.4 million in funds vetoed from the current-year Budget Act pursuant to the development of a new accountability framework at the community colleges; establishes the accountability framework in statute.
- Added \$1 million to support the Cal-PASS student data sharing system.
- Held student fees constant at \$26 per unit.
- Continued to defer \$200 million worth of general apportionment expenditures from June 2006 to July of 2006.

7980 CALIFORNIA STUDENT AID COMMISSION

- Approved May Revision proposal which restored, to the current-year level, the maximum Cal Grant amount for students attending private colleges and universities.
- Retained both the current number of competitive Cal Grant awards and the current Cal Grant eligibility index for financially-needy students.
- Approved Governor's proposal to shift \$51 million worth of ongoing Cal Grant expenditures from the General Fund to EdFUND's Student Loan Operating Fund.
- Established a new loan assumption program - the State Nursing Assumption Program of Loans for Education (SNAPLE) – to encourage individuals to earn Masters in Nursing degrees and teach nursing in public colleges and universities.